



## November 2019 Monthly Report

Returns 31-Dec-12 to 29-Nov-19

	Norse Capital All Ords Accum Outperformance			Small Ords Accum Outperformance	
Inception	262.49%	99.77%	162.71%	58.77%	203.72%
Inception per annum	20.47%	10.53%	9.95%	6.91%	13.56%
CY2019 (ytd)	47.73%	26.45%	21.28%	21.71%	26.03%
CY2018	7.46%	-3.53%	10.99%	-8.67%	16.13%
CY2017	15.55%	12.47%	3.08%	20.02%	-4.46%
CY2016	9.31%	11.65%	-2.33%	13.18%	-3.87%
CY2015	36.80%	3.78%	33.02%	10.16%	26.65%
CY2014	10.81%	5.02%	5.79%	-3.81%	14.62%
CY2013	19.24%	19.66%	-0.41%	-0.76%	20.00%
1m	5.32%	3.07%	2.24%	1.56%	3.76%
3m	-0.32%	4.88%	-5.20%	3.68%	-4.01%
6m	8.79%	9.21%	-0.42%	5.14%	3.65%
1y	46.41%	25.89%	20.52%	16.62%	29.79%
2y pa	28.09%	11.58%	16.51%	7.11%	20.98%
3y pa	22.91%	12.65%	10.25%	11.41%	11.50%
5y pa	22.57%	10.13%	12.43%	10.81%	11.75%
Sharpe Ratio	1.50	0.81	1.84x	0.43	3.46x
Sortino Ratio	3.06	1.30	2.37x	0.66	4.63x
Annualised standard deviation	11.70%	10.74%		13.03%	
Highest monthly return	11.78%	7.00%		9.81%	
Largest monthly loss	-5.82%	-7.30%		-9.60%	
Largest drawdown	-10.28%	-12.23%		-17.69%	
% positive months	73.49%	65.06%		57.83%	

A positive month for equities both in Australia (with the All Ords up +3.07% and the Small Ords +1.56%) and in the US (with the S&P 500 +3.4% and the Nasdaq +4.5%). No surprise then for our portfolio to also have a positive month (up +5.32%). November's result goes part way towards recouping the end of July's high watermark; the past few months has seen a substantial rotation out of "growth" equities and in that sort of

market we would be happy if we could hold our head above water given the nature of our holdings. We have no idea if the rotation has run its course or if we are merely witnessing a pause, but our approach is to attempt to look through shorter term cycles and stay the course with our conviction holdings.

The biggest positive contribution for the month came from our basket of US enterprise software stocks which added just under +2% to November. The stocks within the basket had been hammered in the last few months (after a long period of impressive share price rises). We'd previously switched the majority of exposure in the basket from outright longs to deep in-the-money call options and when the market got closer to our strike prices, the positive gamma automatically reduced our exposure, giving us confidence to add to some of the positions. We added to holdings in AXX and TTD which proved fortuitous (rising ~+27% and ~+43% from their respective lows into month-end) on the back of good earnings results and a general improvement in sentiment towards the sector.

The next largest positive contribution came from our largest holding APX which rose +12% in November aided by the release of upgraded EBITDA guidance for CY2019 to a range of \$96m to \$99m with another \$1m to \$1.5m to come from revaluing AUD to current levels from the 74c guidance level. This compares to previous guidance of between \$85-\$90m and represents EBITDA growth of ~+40% for the year. At current prices, we see APX on something like a 50 PE multiple; for a business that has shown consistently high EPS growth (with a minimum ~+25% once and materially higher throughout its listed history), you don't have to compound forward too many years (in an AI sector with strong tailwinds) to get it down to a much lower multiple.

A positive performance also from EML, up over +18% with a couple of newsworthy items in November. First a large acquisition (and associated equity raising) of Prepaid Financial Services (PFS), paying ~17.5x FY20 EBITDA (less than EML's EV/EBITDA) for a largely complementary business that has compounded revenue around 33% for the last 3 years. There is increased risk from the size of the transaction and increased debt, along with the potential for a much higher upside from increased GPR and the addition of digital banking as a service and multi-currency capabilities. This was followed up at the end of the month with an agreement to provide card products to Simon Mall Group, the largest mall operator in the US.

The biggest loss this month came from PME, down -7.3% despite announcing a \$9m 5 year contract with Ohio State University (mentioned in October's monthly report) and buying back (a small number of) shares.

Shorts and hedging cost the portfolio -0.64% but the fall in the AUD added back +0.39%.

### **Portfolio Holdings:**

Cash:	24.4% (AUD and USD)
Non-AUD exposure:	19.0%
Longs:	73.4%
Shorts:	-4.0%
Hedge delta:	-0.5%
Net exposure:	68.9%
Top 5 equities (alphabetical):	AAPL, APX, EML, PME, RMD

Our cash position is lower with the positive monthly performance as well as adding to some positions which has also increased our net exposure to just under 70%. EML has overtaken PME for second place in our exposure weightings given their respective recent share price performances and as we added to EML, exercising our 1 for 5 rights.

The hedge delta is lower as that includes the positive delta of our in-the-money call options increasing as the underlying shares rebounded . We have continued to add more hedging as our existing hedges fall further out-of-the-money and/or towards expiry, albeit slowly.

